

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-01 NSC-05

SS-15 STR-04 CEA-01 PA-01 PRS-01 ACDA-07 SAJ-01 /107 W

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R 061831Z DEC 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 9428

INFO AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: PINS, ECON, PO

SUBJECT: PRIME MINISTER SOARES ADDRESSES THE NATION

SUMMARY: IN A THREE HOUR TELEVISION APPEARANCE  
DECEMBER 3, PRIME MINISTER SOARES SOUGHT TO DAMPEN GROWING  
ANXIETY OVER PORTUGAL'S POLITICAL/ECONOMIC ILLS AND TO STRENGTH-  
EN THE SOCIALIST PARTY'S POSITION IN DECEMBER 12 LOCAL ELECT-  
IONS. HE FORCEFULLY ATTACKED RIVAL PARTIES FOR "POLITICAL  
EMOTIONALISM" AND ANALYZED THE CURRENT ECONOMIC SITUATION IN  
LIGHT OF ECONOMIC PROBLEMS INHERITED FROM PREVIOUS GOVERNMENTS.  
END SUMMARY.

1. STATE OF THE NATION: IN ORDER TO SUMMARIZE THE  
RECORD OF HIS GOVERNMENT'S FIRST FOUR MONTHS IN OFFICE  
AND TO SPEAK OF THE "PROBLEMS AND DIFFICULTIES THAT CON-  
FRONT THE NATION," PRIME MINISTER SOARES APPEARED ON  
NATIONAL TELEVISION FOR ALMOST THREE HOURS ON DECEMBER 3.

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AFTER AN EXTENSIVE INITIAL STATEMENT, SOARES ANSWERED

QUESTIONS TELEPHONED IN BY VIEWERS. AVAILABLE TIME PERMITTED HIM TO RESPOND TO 36 OF THE WIDE-RANGING QUESTIONS SUBMITTED BY THE PUBLIC.

2. ADDITIONAL OBJECTIVES: SOARES' APPEARANCE WAS DESIGNED ALSO TO ASSUAGE THE GROWING ANXIETY OVER POLITICAL AND ECONOMIC PROBLEMS - WHICH HE ACKNOWLEDGED BY CITING A "CERTAIN" NATIONAL MOOD OF "DISCONTENT" AND "PREOCCUPATION" - AND TO BOLSTER PUBLIC CONFIDENCE IN THE GOVERNMENT'S ABILITY TO RESOLVE THESE PROBLEMS. TO ACHIEVE THESE ENDS, SOARES AGAIN:  
--BLAMED OPPOSITION PARTIES FOR PORTUGAL'S NAGGING UNDERCURRENT OF POLITICAL UNCERTAINTY WHILE STRESSING PS "RESPONSIBILITY, UNITY, AND PURPOSE;" AND  
--CONTRASTED THE ECONOMIC MESS INHERITED BY THE GOVERNMENT WITH CURRENT PROGRESS AND FUTURE PROSPECTS.

3. POLITICS OF RUMOR AND HYSTERIA: WHILE TOUCHING ON THE NATION'S DISCONTENT, SOARES CALLED FOR A DISTINCTION BETWEEN THE ATTITUDES OF THE GENERAL POPULATION AND THOSE OF THE "SO-CALLED POLITICAL CLASS, IN PARTICULAR THE POLITICAL PARTIES." THE POPULATION, HE STRESSED, IS PREOCCUPIED WITH SUCH CONCERNS AS THE RISING COST OF LIVING, BUT "FEELS A CERTAIN SYMPATHY...HOPE, AND CONFIDENCE IN THE CONSTITUTIONAL GOVERNMENT." THE PARTIES, HE STATED, ARE POSSESSED "OF A CERTAIN HYSTERIA..., THE DESIRE TO FOMENT AN EMOTIONALISM, A POLITICAL TONE WHICH DOES NOT CORRESPOND...TO THE PORTUGUESE POPULATION."

4. NO ALLIANCES: AS IN THE PAST, SOARES CATEGORICALLY RULED OUT ALLIANCES WITH THE PCP OR PSD/PPD. AN ALLIANCE WITH THE PCP, HE EXPLAINED, WOULD BENEFIT ONLY THE RIGHT, "IF NOT THE FAR RIGHT." AN ALLIANCE WITH THE PPD WOULD EVENTUALLY BENEFIT THE COMMUNISTS. IN ADDITION, A STRONGMAN GOVERNMENT SUPPORTED BY THE MILITARY AND SEVERAL LARGE POLITICAL PARTIES IS NOT ALTERNATIVE, DUE PRINCIPALLY TO THE MILITARY'S INTENTION TO RETIRE GRADUALLY FROM POLITICS. HE CONCLUDED, THEREFORE THAT NO ALTERNATIVE EXISTS TO THE CURRENT GOVERNMENT.

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5. INHERITED ECONOMIC MESS: SOARES PLACED HEAVY EMPHASIS ON THE ENORMITY OF THE ECONOMIC PROBLEMS INHERITED BY HIS GOVERNMENT. HE TRACED SEVEN FACTORS WHICH CHARACTERIZED THE SITUATION WHEN HIS ADMINISTRATION TOOK OFFICE:  
--PUBLIC INSECURITY CAUSED BY POLITICAL AND MILITARY INSTABILITY;  
--SHARPENED AND INCREASING SOCIAL CONFLICT AND "CLASS WARFARE," CAUSED IN PART BY EXCESSIVE WAGE DISPARITIES;

--A DOMESTIC AND INTERNATIONAL FINANCIAL CRISIS;  
--DECREASED PRODUCTIVITY AND INCREASED ABSENTEEISM;  
--A PARALIZATION OF PRIVATE AND PUBLIC INVESTMENT;  
--THE RETURNEE INFLUX; AND  
--THE DEMORALIZATION AND DETERIORATION OF THE GOVERNMENT  
BUREAUCRACY.

6. CURRENT ECONOMIC PROGRESS: SOARES INTIMATED THAT  
IRRESPONSIBLE PARTIES OR INDIVIDUALS MIGHT DEMAND THAT  
HIS GOVERNMENT ACCOMPLISH THE OBJECTIVES OF ITS FOUR  
YEAR PLAN IN FOUR MONTHS, BUT SENSIBLE INDIVIDUALS WOULD NOT.  
HE CONTRASTED THE SEVEN INHERITED ILLS ABOVE WITH CURRENT  
PROGRESS:

--PUBLIC SECURITY. THE MILITARY HAS BEEN STABILIZED;  
THE PUBLIC HAS CONFIDENCE IN GOVERNMENT AND THE NATION'S  
POLITICAL COURSE.

--LOW SOCIAL CONFLICT. CONTRARY TO EXPECTATIONS,  
THERE WAS NEITHER A "HOT BLOODY SUMMER IN THE ALENTEJO  
NOR A RECRUDESCENCE OF INDUSTRIAL STRIKES. INDEED,  
PROPOSED NEW MINIMUM WAGE OF 3500 ESCUDOS FOR RURAL  
WORKERS AND 4500 FOR INDUSTRIAL WORKERS WILL FURTHER  
REDUCE TENSIONS.

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--FINANCIAL CRISIS. IT STILL EXISTS AND IS SERIOUS, BUT THE GOVERNMENT HAS THE TOOLS AND THE INTENTION TO RESOLVE IT IN THE MEDIUM RUN. INFLATION (17.8 PERCENT) IS NO WORSE THAN IN ITALY OR THE UK. AGREED AND PENDING LOANS, RESULTING FROM INTERNATIONAL COMPREHENSION OF PORTUGAL'S SITUATION (IN PARTICULAR BY GERMANY AND THE U.S.), AND SUCCESSFUL DIPLOMACY HAVE GIVEN PORTUGAL TIME IN WHICH TO GET ON ITS FEET.

--INCREASING PRODUCTIVITY AND LOWERED ABSENTEEISM. SINCE THE GOVERNMENT HAS TAKEN OFFICE INDUSTRIAL PRODUCTION HAS RISEN FIVE PERCENT; ABSENTEEISM HAS DECREASED SHARPLY.

--OPEN DOOR TO INVESTMENT. TOTAL INVESTMENT IN PORTUGAL WILL RISE FROM 62 MILLION CONTOS (U.S. \$1,970 MILLION) TO 95 MILLION CONTOS (U.S. \$,018 MILLION); FAILURE BY PRIVATE SECTOR TO INVEST CAN BE REGARDED ONLY AS MANAGERIAL ABSENTEEISM"; FOREIGN INVESTMENT IS WELCOME.

--PROGRESS WITH RETURNEES. THE RETURNEE INFLUX IN PORTUGAL HAS BEEN COMPARATIVELY GREATER THAN ANY OTHER

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IN EUROPEAN HISTORY. QUICK SOLUTIONS ARE NOT POSSIBLE, BUT SOME EFFECTIVE MEASURES HAVE TAKEN.

--REMODELED BUREAUCRACY. AFTER EXTENSIVE EFFORT, THE BUREAUCRACY IS BEING STREAMLINED AND IS GAINING EFFICIENCY.

7. FORCED SAVINGS SCHEME IN DOUBT: IN AN ASIDE, SOARES ACKNOWLEDGED FOR THE FIRST TIME THAT THE FORCED SAVINGS SCHEME, A KEY POINT IN THE GOVERNMENT'S PLANS TO REDUCE CONSUMPTION, WILL BE SUBMITTED TO THE NATIONAL ASSEMBLY FOR CONSIDERATION.

8. COMMENT: DESPITE THE VALIDITY OF MUCH OF WHAT SOARES SAID, IT IS DOUBTFUL THAT HE SUCCEEDED IN ASSUAGING PUBLIC ANXIETY OR IN BOLSTERING THE PS' HAND. CRITICS OF HIS SPEECH CLAIMED THAT:

--SOARES' PRE-ELECTION PARTISAN ATTACK ON RIVAL PARTIES, ESPECIALLY GIVEN THE OPPONENTS' INABILITY TO RESPOND ON TELEVISION, SMACKED OF UNFAIR ELECTIONEERING;

--THE SPEECH DID NOT BREAK ANY NEW GROUND, EVEN THOUGH MUCH OF THE POPULATION WOULD LIKE TO SEE THE GOVERNMENT ADOPT A CONSIDERABLY MORE AGGRESSIVE POLICY STANCE. INSTEAD, SOARES' DECISION TO SEND THE FORCED SAVINGS SCHEME TO THE NATIONAL ASSEMBLY FOR CONSIDERATION IS REGARDED AS A GOVERNMENT DEFEAT. MEASURE IS UNLIKELY TO OBTAIN ASSEMBLY APPROVAL.

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## Message Attributes

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**TAGS:** PINS, ECON, PO, (SOARES, MARIO ALBERTO NOBRE LOPEZ)  
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